



# **NEWS**

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## **BANK RESPONSES WILL AID FEDERAL HOUSING FINANCE BOARD IN REVIEW OF MEMBERSHIP REGULATIONS**

The Federal Housing Finance Board will focus on long-term capital stability and safety and soundness as it studies the views of the 12 Federal Home Loan Banks on the financial services industry and membership issues, Chairman John T. Korsmo said today.

The Banks recently submitted their responses to a resolution the Finance Board adopted on December 20, 2002, asking them identify "specific concerns, if any, arising from the ongoing changes in the financial services industry comprising the Federal Home Loan Bank System membership and suggesting appropriate supervisory or regulatory responses from the Federal Housing Finance Board."

The responses will assist the Finance Board as it considers whether or not to modify longstanding membership rules governing the 12 regional Banks in light of far-reaching changes in the financial services industry since creation of the Federal Home Loan Bank System in 1932.

"The world has changed dramatically since 1932. The financial services industry has changed dramatically since 1932," Chairman John T. Korsmo said. "If these changes have safety and soundness implications for the Federal Home Loan Banks and their members, it is our responsibility to react."

In December 2000, the Finance Board received the first of four petitions from Federal Home Loan Banks seeking to retain as members institutions that had merged into members of other Federal Home Loan Bank districts. The Home Loan Banks located in Dallas, New York, Atlanta and Chicago filed the petitions.

In January 2002, Chairman Korsmo asked the respective Banks to withdraw the petitions so the Finance Board could undertake a more thorough review of the issues involved in multidistrict memberships.

"When Congress created the Federal Home Loan Bank System, the 12 regional Banks were expected to operate where their members' capital was located -- right in their home districts," Korsmo said. "Now many member financial institutions do business literally across the nation, and that means their capital is not concentrated in any one region."

"This very important development requires a fresh look at single versus multidistrict memberships," he said. "If current regulations do not serve the safety and soundness, capital stability, and long-term viability of the System, then the Finance Board should modernize the membership rules."

Korsmo said he plans to begin a formal rule-making process in June if the Finance Board's analysis of membership issues determines that action is warranted. That process would include opportunity for public comment.

The Banks' responses to the December 20, 2002 resolution are [available here](#), and a history of the multidistrict membership issue is available in the FHFB.GOV Pressroom, under "[Petitions](#)".

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